



CALIFORNIA DEPARTMENT OF  
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

September 18, 2007

TO ALL INTERESTED PARTIES:

Enclosed are copies of the latest nonfat dry milk, bulk butter, Cheddar cheese and dry whey powder processing costs for the period of January through December 2006. The processing cost data does not include the cost of raw product nor does it include Any cost of marketing finished product.

For each of the four manufactured products, the cost data are presented in a table that shows actual weighted-average cost of plants grouped by efficiency. Also enclosed is a summary table showing the weighted-average manufacturing cost for nonfat powder, butter and Cheddar cheese as published since February 2000. In addition, the weighted average manufacturing for whey is shown for 2004 - 2006. Cost includes packaging, processing labor, processing non-labor, general and administrative cost, return on investment and, for butter and Cheddar cheese, miscellaneous ingredients.

Should you have any questions regarding this material, please contact me at the telephone number or e-mail address listed below.

Sincerely,

*Original Signed by*

Venetta Reed  
Supervising Auditor I

Enclosures



Summary of Weighted Average Manufacturing Costs  
**Butter, Nonfat Dry Milk, Cheddar Cheese, and Dry Whey Powder**

Costs include processing labor, non-labor processing, packaging, other ingredients (for butter and Cheddar cheese only), general and administrative, and return on investments at 6.48% for 2006.

Study Period	Release Date	BUTTER		NONFAT DRY MILK		CHEDDAR CHEESE		DRY WHEY POWDER	
		Cost Per Pound	Number of Plants	Cost Per Pound	Number of Plants	Cost Per Pound	Number of Plants	Cost Per Pound	Number of Plants
Study Periods Varied	Feb-00	\$0.0957	8	\$0.1356	10	\$0.1693	9	--	--
July 2000-Dec 2001	Nov-02	\$0.1208	7	\$0.1619	11	\$0.1775	9	--	--
Jan-Dec 2002	Nov-03	\$0.1235	7	\$0.1464	10	\$0.1632	9	--	--
Jan-Dec 2003	Nov-04	\$0.1299	7	\$0.1560	10	\$0.1706	9	\$0.2675	4
Jan-Dec 2004	Nov-05	\$0.1368	8	\$0.1543	10	\$0.1769	7	\$0.2673	3
Jan-Dec 2005	Nov-06	\$0.1408	8	\$0.1659	9	\$0.1914	7	\$0.2851	3
Jan-Dec 2006	Sep-07	\$0.1373	7	\$0.1664	8	\$0.1988	7	\$0.3099	3

**Notes:**

- Since 1996, the Cheddar cheese cost studies have included costs associated with Cheddar cheese plants producing 500-pound barrels and 640-pound blocks. However, costs for packaging labor and packaging expenses were replaced with the average of those costs associated with 40-lb. block plants.
- The cost studies for Dry Whey Powder originated with the study period January-December 2003.

**BUTTER MANUFACTURING COSTS**

CURRENT Study Period: January through December 2006  
 With Comparison to the same time period PRIOR YEAR (2005)

- Manufacturing cost data were collected and summarized from seven California butter plants. The seven plants processed 424.6 million pounds of butter during the 12-month study period, January through December 2006, representing 95% of the butter processed in California.
- The volume total includes both bulk butter and cut butter, but the costs reflect only costs for bulk butter (25 kg and 68 lb. blocks).
- To obtain the weighted average, individual plant costs were weighted by their butter processing volume relative to the total volume of butter processed by all plants included in the cost study.
- For this study period, approximately 61% of the butter was processed at a cost less than the current manufacturing cost allowance for butter of \$0.156 per pound.

**Breakdown of Butter Manufacturing Costs - January through December 2006**

Categories	Low Cost Group	High Cost Group	Range of Costs		CURRENT Weighted Average Cost All Plants Jan-Dec 2006	PRIOR YEAR Weighted Average Cost All Plants Jan-Dec 2005	Actual Difference Current Less Prior Year
			Minimum	Maximum			
	Dollars Per Pound of Butter						
Number of Plants	3	4	7	7	7	8	-1
Processing Labor	\$0.0417	\$0.0612	\$0.0345	\$0.1148	\$0.0498	\$0.0528	-\$0.0030
Processing Non-Labor	\$0.0423	\$0.0627	\$0.0364	\$0.0695	\$0.0508	\$0.0514	-\$0.0006
Packaging	\$0.0103	\$0.0116	\$0.0095	\$0.0122	\$0.0108	\$0.0104	\$0.0004
Other Ingredients	\$0.0024	\$0.0039	\$0.0017	\$0.0045	\$0.0030	\$0.0041	-\$0.0011
General & Administrative	\$0.0134	\$0.0193	\$0.0059	\$0.0239	\$0.0159	\$0.0147	\$0.0012
Return on Investment	\$0.0064	\$0.0079	\$0.0018	\$0.0096	\$0.0070	\$0.0074	-\$0.0004
Average Total Cost	\$0.1165	\$0.1666	--	--	\$0.1373	\$0.1408	-\$0.0035
Volume in Group (Lbs.)	247,655,028	176,965,541	--	--	424,620,569	396,627,948	27,992,621
% Volume by Group	58.3%	41.7%	--	--	100.0%	100.0%	--

**Processing Labor:** Labor costs associated with processing of product, including wages, payroll taxes and fringe benefits.

**Processing Non-Labor:** Includes costs such as utilities, repairs and maintenance, laundry, supplies, depreciation, plant insurance, and rent.

**Packaging:** Includes all non-reusable items used in the packaging of the product, such as boxes, bags, cartons, liners, tape, glue and stretch wrap.

**Other Ingredients:** Includes salt, and color.

**General & Administrative:** Includes expenses in the management of the company, such as: office supplies, short-term interest, dues and subscriptions, accounting fees, headquarter charges, office clerical wages and executive salaries.

**Return on Investment:** Calculated by subtracting accumulated depreciation from the original cost of assts, with the remaining book value multiplied by Moody's "BAA" corporate bond index.

**NONFAT DRY MILK MANUFACTURING COSTS**  
 CURRENT Study Period: January through December 2006  
 With Comparison to the same time period PRIOR YEAR (2005)

- Manufacturing cost data were collected and summarized from eight California NFDM plants. The eight plants processed 536.3 million pounds of NFDM during the 12-month study period, January through December 2006, representing 95% of the NFDM processed in California. The 95% includes both animal and human consumption.
- The volume total includes all grades of NFDM packaged in any container size, but the costs reflect only costs for 25 kg and 50 lb. bags of NFDM.
- To obtain the weighted average, individual plant costs were weighted by their NFDM processing volume relative to the total volume of NFDM processed by all plants included in the cost study.
- For this study period, approximately 28% of the NFDM was processed at a cost less than the current manufacturing cost allowance for NFDM of \$0.160 per pound.

**Breakdown of Nonfat Dry Milk Manufacturing Costs - January through December 2006**

Categories	Low Cost Group	High Cost Group	Range of Costs		CURRENT Weighted Average Cost All Plants Jan-Dec 2006	PRIOR YEAR Weighted Average Cost All Plants Jan-Dec 2005	Actual Difference Current Less Prior Year
			Minimum	Maximum			
	Dollars Per Pound of NFDM						
Number of Plants	4	4	8	8	8	9	-1
Processing Labor	\$0.0339	\$0.0459	\$0.0258	\$0.0780	\$0.0362	\$0.0377	-\$0.0015
Processing Non-Labor	\$0.0925	\$0.1132	\$0.0826	\$0.2337	\$0.0965	\$0.0961	\$0.0004
Packaging	\$0.0149	\$0.0138	\$0.0112	\$0.0151	\$0.0147	\$0.0143	\$0.0004
General & Administrative	\$0.0100	\$0.0156	\$0.0091	\$0.0334	\$0.0111	\$0.0096	\$0.0015
Return on Investment	\$0.0070	\$0.0118	\$0.0040	\$0.0116	\$0.0079	\$0.0082	-\$0.0003
Average Total Cost	\$0.1583	\$0.2003	--	--	\$0.1664	\$0.1659	\$0.0005
Volume in Group (Lbs.)	433,519,945	102,850,525	--	--	536,370,470	471,894,459	64,476,011
% Volume by Group	80.8%	19.2%	--	--	100.0%	100.0%	--

**Processing Labor:** Labor costs associated with processing of product, including wages, payroll taxes and fringe benefits.

**Processing Non-Labor:** Includes costs such as utilities, repairs and maintenance, laundry, supplies, depreciation, plant insurance, and rent.

**Packaging:** Includes all non-reusable items used in the packaging of the product, such as boxes, bags, cartons, liners, tape, glue and stretch wrap.

**General & Administrative:** Includes expenses in the management of the company, such as: office supplies, short-term interest, dues and subscriptions, accounting fees, headquarter charges, office clerical wages and executive salaries.

**Return on Investment:** Calculated by subtracting accumulated depreciation from the original cost of assts, with the remaining book value multiplied by Moody's "BAA" corporate bond index.

**CHEESE MANUFACTURING COSTS**

CURRENT Study Period: January through December 2006  
With Comparison to the same time period PRIOR YEAR (2005)

- Manufacturing cost data were collected and summarized from seven California cheese plants. The seven plants processed 826.8 million pounds of cheese during the 12-month study period, January through December 2006, representing 98% of the Cheddar and Monterey Jack cheese processed in California.
- The volume total includes both Cheddar and Monterey Jack cheeses, but the costs reflect only costs for 40 lb. blocks of Cheddar.
- Three plants processed 500-lb. barrels or 640-lb. blocks. Packaging costs and packaging labor for 40-lb. blocks were substituted for these plants.
- To obtain the weighted average, individual plant costs were weighted by their cheese processing volume relative to the total volume of cheese processed by all plants included in the cost study.
- For all cheese: the weighted average yield was 12.24 lbs. of cheese per hundredweight of milk. The weighted average moisture was 37.03% and weighted average vat tests were 4.40% fat and 9.33% SNF.
  - For 40-lb. blocks: the weighted average yield was 12.62 lbs. of cheese per hundredweight of milk. The weighted average moisture was 38.08% and weighted average vat tests were 4.24% fat and 9.10% SNF.
- For this study period, approximately 0% of the cheese was processed at a cost less than the current manufacturing cost allowance for cheese of \$0.178 per pound.

**Breakdown of Cheese Manufacturing Costs - January through December 2006**

Categories	Low Cost Group	High Cost Group	Range of Costs		CURRENT Weighted Average Cost All Plants Jan-Dec 2006	PRIOR YEAR Weighted Average Cost All Plants Jan-Dec 2005	Actual Difference Current Less Prior Year
			Minimum	Maximum			
	Dollars Per Pound of Cheese						
Number of Plants	3	4	7	7	7	7	0
Processing Labor	\$0.0403	\$0.0648	\$0.0391	\$0.0907	\$0.0499	\$0.0498	\$0.0001
Processing Non-Labor	\$0.0882	\$0.0975	\$0.0624	\$0.1228	\$0.0918	\$0.0850	\$0.0068
Packaging	\$0.0210	\$0.0165	\$0.0114	\$0.0231	\$0.0192	\$0.0193	-\$0.0001
Other Ingredients	\$0.0085	\$0.0162	\$0.0070	\$0.0439	\$0.0115	\$0.0117	-\$0.0002
General & Administrative	\$0.0206	\$0.0145	\$0.0080	\$0.0239	\$0.0182	\$0.0174	\$0.0008
Return on Investment	\$0.0076	\$0.0091	\$0.0034	\$0.0131	\$0.0082	\$0.0082	\$0.0000
Average Total Cost	\$0.1862	\$0.2186	--	--	\$0.1988	\$0.1914	\$0.0074
Volume in Group (Lbs.)	503,547,827	323,272,371	--	--	826,820,198	826,583,500	236,698
% Volume by Group	60.9%	39.1%	--	--	100.0%	100.0%	--

**Processing Labor:** Labor costs associated with processing of product, including wages, payroll taxes and fringe benefits.

**Processing Non-Labor:** Includes costs such as utilities, repairs and maintenance, laundry, supplies, depreciation, plant insurance, and rent.

**Packaging:** Includes all non-reusable items used in the packaging of the product, such as boxes, bags, cartons, liners, tape, glue and stretch wrap.

**Other Ingredients:** Includes salt, color, and rennet.

**General & Administrative:** Includes expenses in the management of the company, such as: office supplies, short-term interest, dues and subscriptions, accounting fees, headquarter charges, office clerical wages and executive salaries.

**Return on Investment:** Calculated by subtracting accumulated depreciation from the original cost of assets, with the remaining book value multiplied by Moody's "BAA" corporate bond index.

**DRY WHEY POWDER MANUFACTURING COSTS**  
 CURRENT Study Period: January through December 2006  
 With Comparison to the same time period PRIOR YEAR (2005)

- One of the three participating dry whey operations experienced a significant reduction in the total annual volume of dry whey processed in 2006 compared to 2005. This volume reduction resulted in a significant increase in the per unit dry whey cost for this processing operation that has elevated the weighted average total cost of all three participating plants. As a result, the cost range between the highest cost plant and the lowest cost plant was significantly larger in 2006 compared with 2005.
- Manufacturing cost data were collected and summarized from three California dry whey powder plants. The three plants processed 84.89 million pounds of dry whey powder during the 12-month study period, January through December 2006, representing 73% of the dry whey powder processed in California. The 73% includes both animal and human consumption.
- The volume total includes dry whey powder packaged in container sizes of 25 kg and 50 lb. bags.
- To obtain the weighted average, individual plant costs were weighted by their dry whey powder processing volume relative to the total volume of dry whey powder processed by all plants included in the cost study.
- For this study period, one of the three plants processed dry whey powder at costs lower than the current manufacturing cost allowance for dry whey powder of \$0.267 per pound.

**Breakdown of Dry Whey Powder Manufacturing Costs - January through December 2006**

Categories	Cost Group	Range of Costs		CURRENT Weighted Average Cost All Plants Jan-Dec 2006	PRIOR YEAR Weighted Average Cost All Plants Jan-Dec 2005	Actual Difference Current Less Prior Year
		Minimum	Maximum			
	<i>Dollars Per Pound of Dry Whey Powder</i>					
Number of Plants	3	3	3	3	3	0
Processing Labor	\$0.0580	\$0.0447	\$0.0901	\$0.0580	\$0.0562	\$0.0018
Processing Non-Labor	\$0.1943	\$0.1448	\$0.5293	\$0.1943	\$0.1735	\$0.0208
Packaging	\$0.0150	\$0.0105	\$0.0227	\$0.0150	\$0.0132	\$0.0018
General & Administrative	\$0.0020	\$0.0012	\$0.0025	\$0.0020	\$0.0029	-\$0.0009
Return on Investment	\$0.0406	\$0.0324	\$0.0896	\$0.0406	\$0.0393	\$0.0013
Average Total Cost	\$0.3099	--	--	\$0.3099	\$0.2851	\$0.0248
Volume in Group (Lbs.)	84,898,909	--	--	84,898,909	97,953,043	-13,054,134
% Volume by Group	100.0%	--	--	100.0%	100.0%	--

**Processing Labor:** All labor costs associated with processing of product.

**Processing Non-Labor:** Includes costs such as utilities, repairs and maintenance, laundry, supplies, depreciation, plant insurance, and rent.

**Packaging:** Includes all non-reusable items used in the packaging of the product, such as boxes, bags, cartons, liners, tape, glue and stretch wrap.

**General & Administrative:** Includes expenses in the management of the company, such as: office supplies, short-term interest, dues and subscriptions, accounting fees, headquarter charges, office clerical wages and executive salaries.

**Return on Investment:** Calculated by subtracting accumulated depreciation from the original cost of assts, with the remaining book value multiplied by Moody's "BAA" corporate bond index.

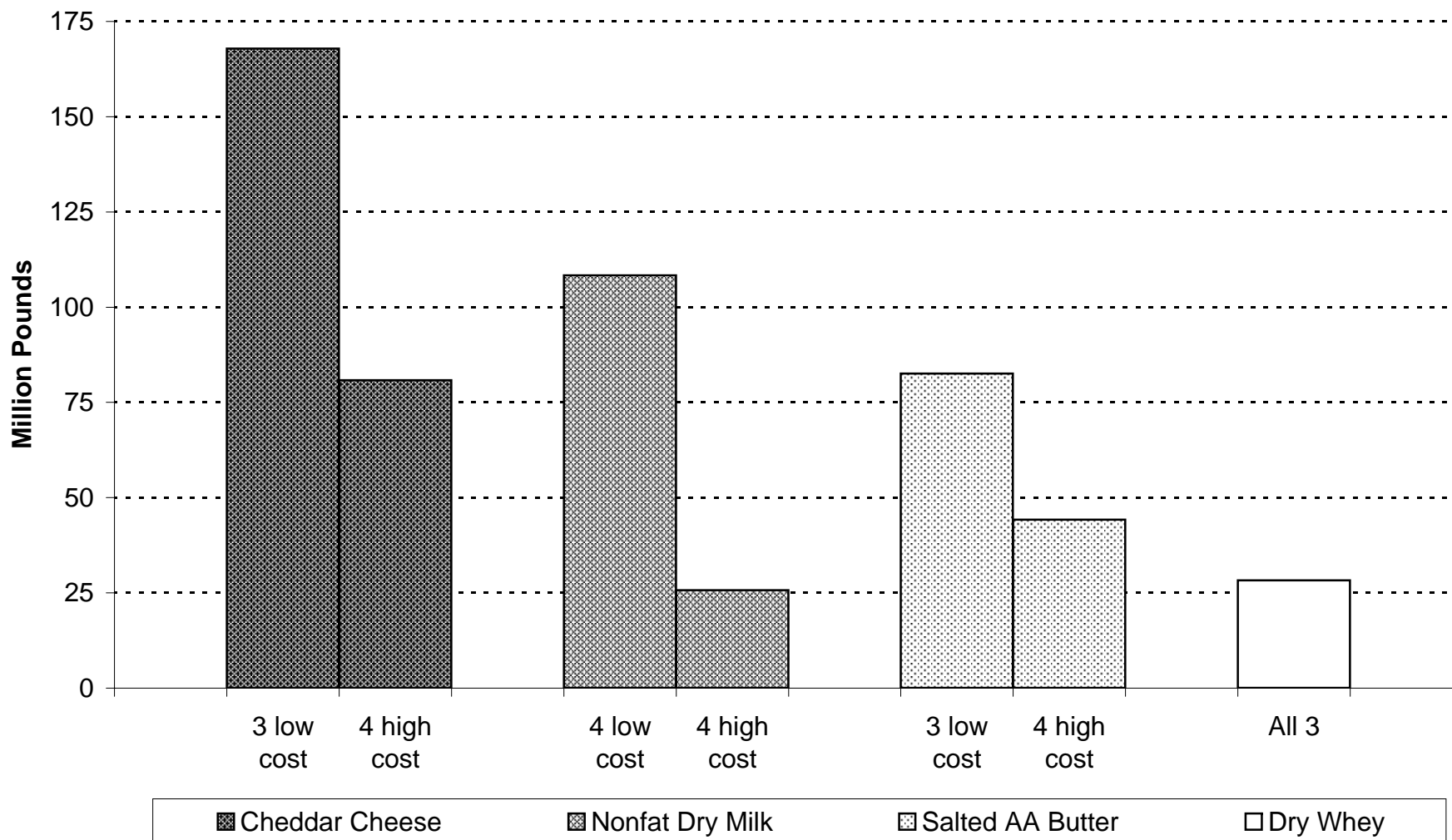
**California Yield and Vat Information**  
 Separately for Block and Barrel Cheddar Cheese Plants  
 January-December 2005; January-December 2006

	<b>Finished Moisture</b>	<b>Vat Fat</b>	<b>Vat SNF</b>	<b>Yield <sup>1/</sup> (lbs./cwt.)</b>
<b>January-December 2004</b>				
Four Block Plants	38.09%	3.94%	8.95%	11.55
Three Barrel Style Plants	34.76%	4.17%	9.28%	11.49
All Seven Plants	37.04%	4.02%	9.05%	11.53
<b>January-December 2005</b>				
Four Block Plants	38.04%	4.29%	9.17%	12.20
Three Barrel Style Plants	35.48%	4.47%	9.56%	11.22
All Seven Plants	37.22%	4.35%	9.30%	11.89
<b>January-December 2006</b>				
Four Block Plants	38.08%	4.24%	9.10%	12.62
Three Barrel Style Plants	35.27%	4.66%	9.72%	11.60
All Seven Plants	37.03%	4.40%	9.33%	12.24

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<sup>1/</sup> Increases in the yields compared to previous years, mostly reflect fortification.

**Average size of Plants by Cost Group in Processing Cost Studies**  
**2006 studies for Cheddar Cheese, Nonfat Dry Milk,**  
**Salted Grade AA Butter, and Dry Whey**





**COSTS AND VOLUMES FOR BUTTER, NONFAT DRY MILK, CHEDDAR CHEESE AND DRY WHEY PLANTS: 2004, 2005 & 2006  
WITH ABSOLUTE AND RELATIVE CHANGES**

	<b>BUTTER</b>			<b>NONFAT POWDER</b>			<b>CHEDDAR CHEESE</b>			<b>SKIM WHEY POWDER</b>		
	Cost Per Pound	Volume in Pounds	Number of Plants	Cost Per Pound	Volume in Pounds	Number of Plants	Cost Per Pound	Volume in Pounds	Number of Plants	Cost Per Pound	Volume in Pounds	Number of Plants
<b>Study Periods</b>												
2004	\$0.1368	382,931,344	8	\$0.1543	745,398,915	10	\$0.1769	817,068,328	7	\$0.2673	93,271,893	3
2005	\$0.1408	396,627,948	8	\$0.1659	471,894,459	9	\$0.1914	826,583,500	7	\$0.2851	97,953,043	3
2006	\$0.1373	424,620,569	7	\$0.1664	536,370,470	8	\$0.1988	826,820,198	7	\$0.3099	84,898,909	3
<b>Absolute Change</b>												
2004 to 2005	\$0.0040	13,696,604	0	\$0.0116	-273,504,456	-1	\$0.0145	9,515,172	0	\$0.0178	4,681,150	0
2005 to 2006	-\$0.0035	27,992,621	-1	\$0.0005	64,476,011	-1	\$0.0074	236,698	0	\$0.0248	-13,054,134	0
2004 to 2006	\$0.0005	41,689,225	-1	\$0.0121	-209,028,445	-2	\$0.0219	9,751,870	0	\$0.0426	-8,372,984	0
<b>Relative Change</b>												
2004 to 2005	2.9%	3.6%		7.5%	-36.7%		8.2%	1.2%		6.7%	5.0%	
2005 to 2006	-2.5%	7.1%		0.3%	13.7%		3.9%	0.0%		8.7%	-13.3%	
2004 to 2006	0.4%	10.9%		7.8%	-28.0%		12.4%	1.2%		15.9%	-9.0%	

# VOLUME

## APPROXIMATE PERCENT VOLUME OF BUTTER, NONFAT DRY MILK, CHEDDAR CHEESE AND DRY WHEY COVERED BY VARIOUS POSSIBLE MANUFACTURING COST ALLOWANCES

Uses cost studies for calendar year 2006, released September 2007  
Based On Total Costs which equals Operating Cost plus a 6.48% ROI

Manufacturing Cost Allowance (\$/lb)	Percent Volume Covered for this Allowance				Manufacturing Cost Allowance (\$/lb)
	Butter	Nonfat Dry Milk	Cheese	Dry Whey	
\$0.10	0%				\$0.10
\$0.11	8%				\$0.11
\$0.12	43%				\$0.12
\$0.13	43%				\$0.13
\$0.14	58%				\$0.14
\$0.15	58%	0%			\$0.15
\$0.16	61%	28%			\$0.16
\$0.17	84%	91%			\$0.17
\$0.18	99%	91%	0%		\$0.18
\$0.19	99%	91%	60%		\$0.19
\$0.20	99%	91%	71%		\$0.20
\$0.21	99%	91%	71%		\$0.21
\$0.22	100%	96%	76%		\$0.22
\$0.23		96%	76%		\$0.23
\$0.24		99%	100%		\$0.24
\$0.25		99%		0%	\$0.25
\$0.26		99%		*	\$0.26
\$0.27		99%			\$0.27
\$0.28		99%			\$0.28
\$0.29		99%			\$0.29
\$0.30		99%			\$0.30
\$0.31		99%			\$0.31
\$0.32		99%			\$0.32
\$0.33		99%			\$0.33
\$0.34		99%			\$0.34
\$0.35		99%			\$0.35
\$0.36		99%			\$0.36

\* Because there are only three Dry Whey plants, confidentiality precludes showing the percent volume covered as for the other three commodities.



CALIFORNIA DEPARTMENT OF  
FOOD & AGRICULTURE  
A. G. Kawamura, Secretary

Dairy Marketing Branch, September 2007

# RETURN ON INVESTMENT

## APPROXIMATE RETURN ON INVESTMENT FOR BUTTER, NONFAT DRY MILK, CHEDDAR CHEESE AND DRY WHEY PLANTS GIVEN VARIOUS POSSIBLE MANUFACTURING COST ALLOWANCES

Uses cost studies for calendar year 2006, released September 2007

Based On Operating Cost Only

Manufacturing Cost Allowance (\$/lb)	Return on Investment for this Allowance *				Manufacturing Cost Allowance (\$/lb)
	Butter	Nonfat Dry Milk	Cheese	Dry Whey	
\$0.10					\$0.10
\$0.11					\$0.11
\$0.12	-8.53%				\$0.12
\$0.13	1.12%				\$0.13
\$0.14	10.76%				\$0.14
\$0.15	20.41%				\$0.15
\$0.16	30.06%	-0.44%			\$0.16
\$0.17	39.70%	8.46%			\$0.17
\$0.18	49.35%	17.37%	-8.64%		\$0.18
\$0.19		26.28%	0.07%		\$0.19
\$0.20		35.18%	8.79%		\$0.20
\$0.21		44.09%	17.51%		\$0.21
\$0.22			26.22%		\$0.22
\$0.23			34.94%		\$0.23
\$0.24			43.66%	-0.03%	\$0.24
\$0.25				1.33%	\$0.25
\$0.26				2.69%	\$0.26
\$0.27				4.05%	\$0.27
\$0.28				5.41%	\$0.28
\$0.29				6.76%	\$0.29
\$0.30				8.12%	\$0.30
\$0.31				9.48%	\$0.31
\$0.32				10.84%	\$0.32
\$0.33				12.20%	\$0.33
\$0.34				13.56%	\$0.34
\$0.35				14.92%	\$0.35
\$0.36				16.28%	\$0.36

\* The ROIs in the table are based on the total profit or loss of all plant operations associated with the specific commodity divided by the total asset values associated with the specific commodity.



CALIFORNIA DEPARTMENT OF  
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A. G. Kawamura, Secretary

Dairy Marketing Branch, September 2007

## Comparison: CME Butter Prices / Audited California Butter Sales - REVISED

24-Month Period: September 2005 through August 2007

- Data were collected and audited from six California butter plants. The plants reported monthly sales volume and sales revenue for salted bulk butter for the 24-month period, representing 100% of the salted bulk butter sold by these audited California plants.
- The Chicago Mercantile Exchange (CME) butter prices are the simple average of the daily butter price per pound, released by the CME, using the 26th of the prior month through the 25th of the current month.
- The weighted average California butter prices represent the calendar monthly price per pound received by each plant and then weighted by sales volume.

### Breakdown of CME Butter Prices and Audited California Butter Sales September 2005 through August 2007

Date	CME Butter Prices	California Weighted Average Prices	Difference: Calif. Weighted Less CME
<i>In Dollars Per Pound</i>			
Sep-05	\$1.7098	\$1.6751	-\$0.0347
Oct-05	\$1.6427	\$1.6181	-\$0.0246
Nov-05	\$1.4627	\$1.4251	-\$0.0376
Dec-05	\$1.3648	\$1.3359	-\$0.0289
Jan-06	\$1.3553	\$1.3210	-\$0.0343
Feb-06	\$1.2092	\$1.1908	-\$0.0184
Mar-06	\$1.1690	\$1.1478	-\$0.0212
Apr-06	\$1.1580	\$1.1315	-\$0.0265
May-06	\$1.1767	\$1.1477	-\$0.0290
Jun-06	\$1.1698	\$1.1367	-\$0.0331
Jul-06	\$1.1516	\$1.1206	-\$0.0310
Aug-06	\$1.2742	\$1.1900	-\$0.0842
Sep-06	\$1.3319	\$1.2839	-\$0.0480
Oct-06	\$1.3265	\$1.2800	-\$0.0465
Nov-06	\$1.2900	\$1.2485	-\$0.0415
Dec-06	\$1.2558	\$1.2394	-\$0.0164
Jan-07	\$1.2153	\$1.1914	-\$0.0239
Feb-07	\$1.2250	\$1.1980	-\$0.0270
Mar-07	\$1.3048	\$1.2673	-\$0.0375
Apr-07	\$1.3580	\$1.3309	-\$0.0271
May-07	\$1.4657	\$1.4249	-\$0.0408
Jun-07	\$1.5088	\$1.4782	-\$0.0306
Jul-07	\$1.4871	\$1.4738	-\$0.0133
Aug-07	\$1.4618	\$1.4763	\$0.0145

### Summary of Comparison: California Weighted Less CME

Time Period	Average Differences		
	Simple	Weighted: <sup>1/</sup> Differences Reflected in the Monthly	Weighted: <sup>2/</sup> Differences over Entire Period
All 24 months	-\$0.0309	-\$0.0308	-\$0.0408
12 months ending Aug. 2006	-\$0.0336	-\$0.0337	-\$0.0479
12 months ending Aug. 2007	-\$0.0282	-\$0.0287	-\$0.0395

<sup>1/</sup> The monthly differences are weighted by the monthly volumes.

<sup>2/</sup> The simple average CME price for the entire period is subtracted from the weighted average California Price for entire period

## Comparison: CME Cheddar Cheese Prices / Audited California Cheddar Cheese Sales

24-Month Period: September 2005 through August 2007

- Data were collected and audited from four California Cheddar cheese plants. The plants reported monthly sales volume and sales revenue for 40-pound block Cheddar cheese for the 24-month period, representing 99% of the 40-pound block Cheddar cheese sold by these audited California plants.
- The Chicago Mercantile Exchange (CME) Cheddar cheese prices are the simple average of the daily block Cheddar cheese price per pound, released by the CME, using the 26th of the prior month through the 25th of the current month.
- The weighted average California Cheddar cheese prices represent the calendar monthly price per pound received by each plant and then weighted by sales volume.

### Breakdown of CME Cheddar Cheese Prices and Audited California Cheddar Cheese Sales September 2005 through August 2007

Date	CME Cheese Prices	California Weighted Average Prices	Difference: Calif. Weighted Less CME
<i>In Dollars Per Pound</i>			
Sep-05	\$1.5384	\$1.4824	-\$0.0560
Oct-05	\$1.4849	\$1.5000	\$0.0151
Nov-05	\$1.3808	\$1.3945	\$0.0137
Dec-05	\$1.4304	\$1.4063	-\$0.0241
Jan-06	\$1.3581	\$1.3709	\$0.0128
Feb-06	\$1.2146	\$1.2575	\$0.0429
Mar-06	\$1.1586	\$1.1486	-\$0.0100
Apr-06	\$1.1667	\$1.1591	-\$0.0076
May-06	\$1.1775	\$1.1533	-\$0.0242
Jun-06	\$1.2011	\$1.1879	-\$0.0132
Jul-06	\$1.1643	\$1.1606	-\$0.0037
Aug-06	\$1.2091	\$1.1654	-\$0.0437
Sep-06	\$1.3041	\$1.2671	-\$0.0370
Oct-06	\$1.2383	\$1.2395	\$0.0012
Nov-06	\$1.3490	\$1.2766	-\$0.0724
Dec-06	\$1.3318	\$1.3448	\$0.0130
Jan-07	\$1.3161	\$1.3089	-\$0.0072
Feb-07	\$1.3376	\$1.3085	-\$0.0291
Mar-07	\$1.3715	\$1.3343	-\$0.0372
Apr-07	\$1.4381	\$1.3880	-\$0.0501
May-07	\$1.6835	\$1.5532	-\$0.1303
Jun-07	\$1.9824	\$1.8249	-\$0.1575
Jul-07	\$1.9427	\$1.9732	\$0.0305
Aug-07	\$1.9242	\$1.8946	-\$0.0296

### Summary of Comparison: California Weighted Less CME

Time Period	Average Differences		
	Simple	Weighted: <sup>1/</sup> Differences Reflected in the Monthly	Weighted: <sup>2/</sup> Differences over Entire Period
All 24 months	-\$0.0252	-\$0.0267	-\$0.0246
12 months ending Aug. 2006	-\$0.0082	-\$0.0095	-\$0.0043
12 months ending Aug. 2007	-\$0.0421	-\$0.0451	-\$0.0381

<sup>1/</sup> The monthly differences are weighted by the monthly volumes.

<sup>2/</sup> The simple average CME price for the entire period is subtracted from the weighted average California Price for the entire period.

## California Cheese Production and Sales, 2006

In the manufacturing cost exhibits for Cheddar cheese, the costs presented are for 40-pound blocks. To get a weighted average cost, the costs for each of the seven plants are weighted by the plants total production of Cheddar and jack cheese, both barrels and blocks. This is done because the processes to make both types of cheese are similar, and combining the pounds gives a better representation of plant size.

In the California Cheddar Cheese Sales exhibit, the prices are for 40-pound blocks sold. To get a weighted average price, the prices for each of the four plants are weighted by the plants total sales of 40-pound blocks of Cheddar cheese.

The table below summaries for 2006 the volume of production for the seven plants and the volume of sales for the four plants:

	<b>Block</b>	<b>Barrel</b>	<b>Total</b>
	(million pounds)		
<b>Cheddar &amp; Jack</b>	518	309	827
<b>Cheddar only</b>	308	181	489
<b>Cheddar Sales of 40-pound blocks</b>	175		

The difference between block Cheddar cheese production (308 million pounds) and sales (175 million pounds) is the volume of Cheddar cheese cut and wrapped in-house by the processor (133 million pounds).

# POUNDS OF MILK<sup>1/</sup> PROCESSED INTO CHEESE

Sorted by plant size; MPB handler data for May, June and July 2007

1,000s lb Monthly		# of Plants	Total for plants		Average per plant		Percent of Total	
From (lb)	to (lb)		Monthly <sup>2/</sup> (lb)	Daily (lb)	Monthly (lb)	Daily (lb)	Group	Accumulated
0	250	21	1,468,960	47,901	69,950	2,281	0.1%	0.1%
250	500	5	2,118,811	69,092	423,762	13,818	0.1%	0.2%
500	1,000	3	2,372,243	77,356	790,748	25,785	0.1%	0.4%
1,000	1,500	3	4,016,947	130,987	1,338,982	43,662	0.3%	0.6%
1,500	3,000	3	6,186,980	201,749	2,062,327	67,250	0.4%	1.0%
3,000	10,000	6	42,911,032	1,399,273	7,151,839	233,212	2.7%	3.7%
10,000	30,000	6	122,527,128	3,995,450	20,421,188	665,908	7.7%	11.3%
30,000	60,000	5	214,642,667	6,999,217	42,928,533	1,399,843	13.4%	24.8%
60,000	100,000	3	257,638,706	8,401,262	85,879,569	1,680,252	16.1%	40.9%
Over 100,000		5	946,424,133	30,861,657	189,284,827	6,172,331	59.1%	100.0%
<b>Total</b>		<b>60</b>	<b>1,600,307,607</b>	<b>52,183,944</b>	<b>26,671,793</b>	<b>869,732</b>		

<sup>1/</sup> This is on a milk equivalent basis. These figures are not pounds of fat or SNF.

<sup>2/</sup> Average for the three months of May, June and July 2007.

**Note:** Data does not include condensed skim, RO milk, or UF milk sold to, or received by cheese plants.

## **FAT POUNDS UTILIZED AS CLASS 4a**

Sorted by plant size; MPB handler data for May, June and July 2007

Pounds Monthly		# of Plants	Total for plants		Average per plant		Percent of Total	
From (lb)	to (lb)		Monthly <sup>1/</sup> (lb)	Daily (lb)	Monthly (lb)	Daily (lb)	Group	Accumulated
0	10,000	11	16,322	544	1,484	49	0.0%	0.0%
10,000	30,000	7	135,807	4,527	19,401	647	0.4%	0.4%
30,000	100,000	6	302,889	10,096	50,481	1,683	0.9%	1.3%
100,000	500,000	6	1,345,934	44,864	224,322	7,477	3.9%	5.2%
500,000	1,000,000	0						5.2%
Over 1,000,000		7	32,518,299	1,083,943	4,645,471	154,849	94.8%	100.0%
<b>Total</b>		<b>37</b>	<b>34,319,251</b>	<b>1,143,975</b>	<b>927,547</b>	<b>30,918</b>		

<sup>1/</sup> Average for the three months of May, June and July 2007.



## **SNF POUNDS UTILIZED AS CLASS 4a**

Sorted by plant size; MPB handler data for May, June and July 2007

Pounds Monthly		# of Plants	Total for plants		Average per plant		Percent of Total	
From (lb)	to (lb)		Monthly <sup>1/</sup> (lb)	Daily (lb)	Monthly (lb)	Daily (lb)	Group	Accumulated
0	25,000	19	136,204	4,540	7,169	239	0.2%	0.2%
25,000	100,000	4	190,059	6,335	47,515	1,584	0.3%	0.4%
100,000	200,000	3	433,289	14,443	144,430	4,814	0.6%	1.0%
200,000	1,000,000	0						1.0%
1,000,000	4,000,000	7	16,236,803	541,227	2,319,543	77,318	22.2%	23.2%
Over 4,000,000		4	56,199,922	1,873,331	14,049,981	468,333	76.8%	100.0%
<b>Total</b>		<b>37</b>	<b>73,196,277</b>	<b>2,439,876</b>	<b>1,978,278</b>	<b>65,943</b>		

<sup>1/</sup> Average for the three months of May, June and July 2007.

**PRODUCTION OF CHEESE, WHEY PROTEIN CONCENTRATE AND DRY WHEY  
WITH NUMBER OF DRY WHEY PLANTS IN CALIFORNIA**

All California Data are from CDFA and all USA Data are from USDA NASS , Annual Totals, 1996 to 2006, and 2007 year to date

YEAR	PRODUCTION CHEESE			PRODUCTION WHEY PROTEIN CONCENTRATE FOR HUMANS			PRODUCTION DRY WHEY FOR HUMANS		DRY WHEY PLANTS	
	USA (lb)	CA (lb)	CA (%)	USA (lb)	CA (lb)	CA (%)	USA (lb)	CA (lb)	CA (%)	CA (number)
1996	7,171,713,000	1,047,747,880	15%	215,195,000	45,569,570	21%	1,044,686,000	75,282,000	7%	6
1997	7,330,414,000	1,173,384,305	16%	219,186,000	45,832,441	21%	1,076,529,000	113,496,000	11%	7
1998	7,492,119,000	1,254,796,160	17%	265,893,000	73,615,316	28%	1,095,383,000	116,401,000	11%	6
1999	7,944,032,000	1,404,279,945	18%	315,653,000	87,848,092	28%	1,067,023,000	120,001,000	11%	5
2000	8,257,998,000	1,498,681,749	18%	290,462,000	95,250,377	33%	1,105,057,000	125,841,982	11%	6
2001	8,129,094,000	1,643,333,996	20%	275,112,000	93,813,009	34%	978,853,000	130,550,306	13%	6
2002	8,547,267,000	1,723,262,272	20%	274,180,000	102,589,785	37%	1,040,977,000	150,879,484	14%	6
2003	8,597,976,000	1,831,679,444	21%	305,558,000	116,995,716	38%	992,480,000	123,977,598	12%	7
2004	8,848,786,000	1,992,818,341	23%	299,189,000	118,615,615	40%	948,915,000	118,329,083	12%	5
2005	9,149,322,000	2,136,698,734	23%	343,462,000	122,196,081	36%	958,586,000	119,216,266	12%	5
2006	9,534,331,000	2,205,589,019	23%	378,618,000	143,936,229	38%	1,049,139,000	107,062,816	10%	4
10 Year Avg. Change	2.9%	7.7%		5.8%	12.2%		0.0%	3.6%		
first seven months										
2006	5,509,098,000	1,266,273,000	23%	256,156,000	86,503,657	34%	656,923,000	62,781,066	10%	4
2007	5,620,756,000	1,358,775,000	24%	231,139,000	77,521,614	34%	670,975,000	50,600,702	8%	4 <sup>2/</sup>
Change	2.0%	7.3%		-9.8%	-10.4%		2.1%	-19.4%		

<sup>1/</sup> USDA NASS data

<sup>2/</sup> With the announced closure of the Corona plant, and with Saputo's intention of eliminating their dry whey line, there may be only two plants making dry whey in 2008.

**California Whey Products Production**  
**For the Years 2004, 2005, 2006**  
(In Pounds of Product)

Year	Dry Whey (Human)	Dry Whey (Animal)	WPC (Human) 25.0-49.9% Protein	WPC (Human) 50.0-100.0% Protein (Includes Isolates)	WPC (Animal) 0-100% Protein	Delactose Permeate Whey
2004	118,329,083	16,378,438	53,776,909	63,950,280	1,302,469	116,712,179
2005	119,216,266	11,650,960	47,521,981	74,674,100	11,550,559	261,437,524
2006	107,062,816	9,795,960	60,349,218	83,587,461	2,435,789	296,912,820

Note: Lactose Powder data for 2004-2006 is available, however cannot be displayed for confidentiality reasons.

Dairy Marketing Branch  
October 2007

**COMMODITY PRICES USED IN CALIFORNIA CLASS 4a AND FEDERAL CLASS IV PRICING FORMULAS**

		<b>BUTTER PRICES</b>					<b>NFDM PRICES</b>					<i>(proposed for use in Class. 4a SNF formula)</i>	
		USDA SPP	USDA	USDA	CME	CME	USDA SPP	USDA	USDA	CALIFORNIA	CALIFORNIA	WESTERN	WESTERN
		BUTTER	NASS	NASS	BUTTER	BUTTER	NFDM	NASS	NASS	PLANTS	PLANTS	DMN	DMN
			BUTTER	BUTTER	GRADE AA	GRADE AA		NFDM	NFDM	NFDM	NFDM	NFDM	NFDM
YEAR	MONTH	26TH25TH	4/5 WEEK	TWO WEEK	26TH25TH	26TH10TH	26TH25TH	4/5 WEEK	TWO WEEK	26TH25TH	TWO WEEK	26TH25TH	TWO WEEK
		(\$/lb.)	(\$/lb.)	(\$/lb.)	(\$/lb.)	(\$/lb.)	(\$/lb.)	(\$/lb.)	(\$/lb.)	(\$/lb.)	(\$/lb.)	(\$/lb.)	(\$/lb.)
2002	January	0.8548	1.3324	1.3335	1.3500	1.3483	0.9000	0.9161	0.9166	0.9054	0.9094	0.9138	0.9156
	February	0.8548	1.2480	1.2316	1.2544	1.2625	0.9000	0.9121	0.9133	0.9031	0.9030	0.9113	0.9113
	March	0.8548	1.2333	1.2411	1.2479	1.2600	0.9000	0.9060	0.9074	0.9016	0.9032	0.9075	0.9075
	April	0.8548	1.1720	1.2088	1.1842	1.2075	0.9000	0.8975	0.8984	0.9013	0.9011	0.9031	0.9038
	May	0.8548	1.0525	1.0643	1.0679	1.0664	0.9000	0.8972	0.8953	0.8997	0.9015	0.8980	0.8975
	June	0.8548	1.0343	1.0533	1.0448	1.0779	0.9000	0.9005	0.9006	0.8996	0.8993	0.8953	0.8950
	July	0.8548	1.0112	1.0188	1.0260	1.0317	0.9000	0.9033	0.9025	0.8993	0.8998	0.8988	0.8988
	August	0.8548	0.9925	1.0010	1.0002	1.0314	0.9000	0.9074	0.9091	0.9003	0.9001	0.9018	0.9025
	September	0.8548	0.9431	0.9297	0.9588	0.9454	0.9000	0.9096	0.9080	0.9022	0.9011	0.9044	0.9038
	October	0.8548	0.9945	0.9697	1.0227	0.9929	0.9000	0.9165	0.9159	0.9061	0.9040	0.9060	0.9056
	November	0.9589	1.0107	0.9991	1.0371	1.0179	0.8467	0.9177	0.9172	0.9101	0.9073	0.9091	0.9081
	December	1.0500	1.0926	1.0813	1.1139	1.1090	0.8000	0.8682	0.8813	0.8594	0.9004	0.8750	0.8900
2003	January	1.0500	1.0872	1.1099	1.0982	1.1196	0.8000	0.8207	0.8287	0.8122	0.8196	0.8270	0.8275
	February	1.0500	1.0476	1.0477	1.0471	1.0557	0.8000	0.8111	0.8108	0.8035	0.8065	0.8081	0.8088
	March	1.0500	1.0546	1.0506	1.0823	1.0696	0.8000	0.8051	0.8048	0.8030	0.8012	0.8041	0.8044
	April	1.0500	1.0736	1.0702	1.0917	1.0893	0.8000	0.8030	0.8032	0.8021	0.8019	0.8028	0.8031
	May	1.0500	1.0743	1.0733	1.0888	1.0867	0.8000	0.8040	0.8043	0.8008	0.8013	0.8013	0.8013
	June	1.0500	1.0797	1.0808	1.1104	1.0996	0.8000	0.8040	0.8040	0.8023	0.8009	0.8013	0.8013
	July	1.0500	1.1196	1.1028	1.1833	1.1395	0.8000	0.8072	0.8062	0.8031	0.8039	0.8013	0.8013
	August	1.0500	1.1578	1.1937	1.1835	1.2158	0.8000	0.8105	0.8118	0.8016	0.8032	0.8069	0.8063
	September	1.0500	1.1332	1.1156	1.1652	1.1433	0.8000	0.8111	0.8094	0.8034	0.8032	0.8075	0.8075
	October	1.0500	1.1611	1.1619	1.1829	1.1814	0.8000	0.8109	0.8117	0.8053	0.8048	0.8075	0.8075
	November	1.0500	1.1881	1.1822	1.1998	1.1925	0.8000	0.8130	0.8153	0.8093	0.8060	0.8075	0.8075
	December	1.0500	1.2557	1.2219	1.2956	1.2525	0.8000	0.8070	0.8072	0.8055	0.8070	0.8085	0.8081
2004	January	1.0500	1.3632	1.3687	1.3743	1.3455	0.8000	0.8062	0.8051	0.8023	0.8033	0.8047	0.8069
	February	1.0500	1.6582	1.5879	1.6579	1.5707	0.8000	0.8064	0.8085	0.8015	0.8015	0.8025	0.8025
	March	1.0500	2.0994	1.9921	2.1275	2.0229	0.8000	0.8101	0.8090	0.8038	0.8017	0.8038	0.8025
	April	1.0500	2.1994	2.1514	2.2052	2.0858	0.8000	0.8171	0.8179	0.8116	0.8056	0.8160	0.8163
	May	1.0500	2.1385	2.1633	2.0958	2.1457	0.8000	0.8383	0.8372	0.8218	0.8131	0.8463	0.8375
	June	1.0500	1.9290	1.8723	1.9160	1.8592	0.8000	0.8497	0.8500	0.8333	0.8299	0.8490	0.8500
	July	1.0500	1.8269	1.8610	1.7818	1.8740	0.8000	0.8513	0.8552	0.8356	0.8368	0.8459	0.8481
	August	1.0500	1.6101	1.6058	1.5630	1.5893	0.8000	0.8584	0.8596	0.8437	0.8462	0.8413	0.8413
	September	1.0500	1.7278	1.6746	1.7369	1.6942	0.8000	0.8639	0.8622	0.8457	0.8420	0.8423	0.8425
	October	1.0500	1.7000	1.7223	1.6863	1.7383	0.8000	0.8565	0.8626	0.8476	0.8507	0.8381	0.8388
	November	1.0500	1.8224	1.6845	1.8558	1.6868	0.8000	0.8570	0.8553	0.8478	0.8462	0.8420	0.8375
	December	1.0500	1.8122	1.8498	1.7705	1.9592	0.8000	0.8713	0.8698	0.8663	0.8592	0.8756	0.8725

**COMMODITY PRICES USED IN CALIFORNIA CLASS 4a AND FEDERAL CLASS IV PRICING FORMULAS**

		<b>BUTTER PRICES</b>					<b>NFDM PRICES</b>					<i>(proposed for use in Class. 4a SNF formula)</i>	
		USDA SPP	USDA	USDA	CME	CME	USDA SPP	USDA	USDA	CALIFORNIA	CALIFORNIA	WESTERN	WESTERN
		BUTTER	NASS	NASS	BUTTER	BUTTER	NFDM	NASS	NASS	PLANTS	PLANTS	DMN	DMN
			BUTTER	BUTTER	GRADE AA	GRADE AA		NFDM	NFDM	NFDM	NFDM	NFDM	NFDM
YEAR	MONTH	26TH25TH	4/5 WEEK	TWO WEEK	26TH25TH	26TH10TH	26TH25TH	4/5 WEEK	TWO WEEK	26TH25TH	TWO WEEK	26TH25TH	TWO WEEK
		(\$/lb.)	(\$/lb.)	(\$/lb.)	(\$/lb.)	(\$/lb.)	(\$/lb.)	(\$/lb.)	(\$/lb.)	(\$/lb.)	(\$/lb.)	(\$/lb.)	(\$/lb.)
2005	January	1.0500	1.5592	1.5682	1.5725	1.5675	0.8000	0.8906	0.8892	0.8801	0.8733	0.8900	0.8875
	February	1.0500	1.5945	1.5865	1.6071	1.6011	0.8000	0.8990	0.8964	0.8865	0.8837	0.9140	0.9038
	March	1.0500	1.5549	1.5616	1.5543	1.5380	0.8000	0.9083	0.9073	0.8946	0.8922	0.9256	0.9250
	April	1.0500	1.5287	1.5393	1.5179	1.5558	0.8000	0.9156	0.9159	0.9007	0.8939	0.9356	0.9325
	May	1.0500	1.4046	1.3872	1.4025	1.3817	0.8000	0.9289	0.9287	0.9109	0.9097	0.9475	0.9475
	June	1.0500	1.4427	1.4158	1.4923	1.4329	0.8000	0.9259	0.9289	0.9048	0.9040	0.9403	0.9419
	July	1.0500	1.6156	1.6480	1.6402	1.6795	0.8000	0.9389	0.9377	0.9201	0.9083	0.9294	0.9275
	August	1.0500	1.6355	1.6043	1.6665	1.6457	0.8000	0.9601	0.9594	0.9374	0.9362	0.9434	0.9375
	September	1.0500	1.6877	1.6832	1.7098	1.6992	0.8000	0.9705	0.9726	0.9500	0.9493	0.9593	0.9550
	October	1.0500	1.6363	1.6338	1.6427	1.6493	0.8000	0.9794	0.9719	0.9682	0.9533	0.9813	0.9769
	November	1.0500	1.4578	1.5011	1.4627	1.4954	0.8000	0.9835	0.9834	0.9724	0.9827	0.9990	0.9944
	December	1.0500	1.3680	1.3663	1.3648	1.3800	0.8000	0.9899	1.0018	0.9743	0.9780	0.9897	0.9900
2006	January	1.0500	1.3387	1.3459	1.3553	1.3771	0.8000	0.9614	0.9782	0.9359	0.9801	0.9734	0.9775
	February	1.0500	1.2374	1.2623	1.2092	1.2398	0.8000	0.8833	0.9053	0.8737	0.8980	0.8858	0.8850
	March	1.0500	1.1647	1.1746	1.1690	1.1753	0.8000	0.8697	0.8789	0.8480	0.8533	0.8272	0.8394
	April	1.0500	1.1436	1.1426	1.1580	1.1573	0.8000	0.8429	0.8400	0.8363	0.8395	0.8113	0.8125
	May	1.0500	1.1635	1.1658	1.1767	1.1786	0.8000	0.8288	0.8309	0.8173	0.8304	0.8094	0.8100
	June	1.0500	1.1513	1.1508	1.1698	1.1730	0.8000	0.8221	0.8205	0.8063	0.8075	0.8090	0.8075
	July	1.0500	1.1340	1.1278	1.1516	1.1508	0.8000	0.8300	0.8268	0.8149	0.8077	0.8191	0.8175
	August	1.0500	1.1990	1.1736	1.2742	1.2513	0.8000	0.8484	0.8463	0.8329	0.8273	0.8543	0.8300
	September	1.0500	1.2976	1.2989	1.3319	1.3525	0.8000	0.8537	0.8542	0.8383	0.8368	0.9094	0.9025
	October	1.0500	1.2941	1.2820	1.3265	1.3139	0.8000	0.9027	0.8891	0.8676	0.8555	0.9525	0.9375
	November	1.0500	1.2693	1.2625	1.2900	1.2863	0.8000	0.9837	0.9691	0.9224	0.8913	0.9938	0.9894
	December	1.0500	1.2384	1.2439	1.2558	1.2595	0.8000	1.0225	1.0233	0.9762	0.9572	1.0466	1.0356
2007	January	1.0500	1.1991	1.1905	1.2153	1.2015	0.8000	1.0677	1.0461	1.0266	0.9993	1.1025	1.0900
	February	1.0500	1.2129	1.2148	1.2250	1.2357	0.8000	1.1021	1.0960	1.0702	1.0472	1.2025	1.1875
	March	1.0500	1.2676	1.2782	1.3048	1.2948	0.8000	1.1902	1.1655	1.1353	1.1078	1.3181	1.2969
	April	1.0500	1.3416	1.3193	1.3580	1.3368	0.8000	1.4354	1.3692	1.2574	1.2023	1.5384	1.4906
	May	1.0500	1.4290	1.4090	1.4657	1.4359	0.8000	1.6670	1.6024	1.3753	1.3448	1.8273	1.7075
	June	1.0500	1.4916	1.5125	1.5088	1.5389	0.8000	1.9012	1.9084	1.4727	1.4203	2.0972	2.0400
	July	1.0500	1.4627	1.4544	1.4871	1.4800	0.8000	2.0180	2.0358	1.8065	1.5936	2.1928	2.2106
	August	1.0500	1.4429	1.4854	1.4618	1.5013	0.8000	2.0545	2.0383	1.9753	1.9327	2.0525	2.0613
Sep-01 to Aug-02 Avg.		0.8548	1.1345	1.1441	1.1469	1.1607	0.9000	0.9050	0.9054	0.9013	0.9022	0.9037	0.9040
Sep-02 to Aug-03 Avg.		1.0099	1.0613	1.0591	1.0848	1.0784	0.8206	0.8398	0.8414	0.8339	0.8376	0.8373	0.8384
Sep-03 to Aug-04 Avg.		1.0500	1.6302	1.6070	1.6304	1.6052	0.8000	0.8233	0.8238	0.8148	0.8133	0.8200	0.8196
Sep-04 to Aug-05 Avg.		1.0500	1.6165	1.6035	1.6252	1.6234	0.8000	0.9013	0.9011	0.8869	0.8833	0.9020	0.8995
Sep-05 to Aug-06 Avg.		1.0500	1.3068	1.3107	1.3203	1.3273	0.8000	0.9008	0.9047	0.8859	0.8923	0.8932	0.8913
Sep-06 to Aug-07 Avg.		1.0500	1.3289	1.3293	1.3526	1.3531	0.8000	1.3499	1.3331	1.2270	1.1824	1.4361	1.4124

## COMMODITY PRICES USED IN CALIFORNIA CLASS 4b AND FEDERAL CLASS III PRICING FORMULAS

## OTHER WHEY STREAM PRICES

## CHEESE PRICES

## DRY WHEY PRICES

YEAR	MONTH	USDA SPP	USDA	USDA	CME BLOCK	CME BLOCK	USDA	USDA	WESTERN	WESTERN	WESTERN	CENTRAL &	CENTRAL &
		BLOCK CHED.	NASS	NASS	40# CHEDDAR	40# CHEDDAR	NASS	NASS	DRY WHEY	DRY WHEY	EUROPE	WESTERN	WESTERN
		CHEESE	40# & BARREL	40# & BARREL			DRY WHEY	DRY WHEY			DRY	WPC-34%	LACTOSE
			38% CHEDDAR	38% CHEDDAR	26TH25TH	26TH10TH			26TH25TH	TWO WEEK	WHEY	MOSTLY	MOSTLY
		(\$/lb.)	(\$/lb.)	(\$/lb.)	(\$/lb.)	(\$/lb.)	4/5 WEEK	TWO WEEK	(\$/lb.)	(\$/lb.)	(\$/lb)	(\$/lb)	(\$/lb)
2002	January	1.1314	1.2922	1.2740	1.3261	1.2800	0.2747	0.2810	0.2438	0.2544	0.2570	0.6663	0.2225
	February	1.1314	1.2895	1.2862	1.2250	1.2453	0.2334	0.2347	0.2250	0.2288	0.2551	0.6512	0.2225
	March	1.1314	1.2087	1.2008	1.2050	1.1933	0.2066	0.2077	0.2128	0.2131	0.2070	0.6161	0.2225
	April	1.1314	1.2323	1.2229	1.2448	1.2382	0.1948	0.1979	0.2013	0.2056	0.1871	0.5752	0.2024
	May	1.1314	1.2359	1.2521	1.2099	1.2230	0.1759	0.1827	0.1755	0.1788	0.1758	0.5186	0.1832
	June	1.1314	1.1708	1.1792	1.1457	1.1688	0.1639	0.1663	0.1588	0.1638	0.1916	0.4688	0.1750
	July	1.1314	1.1004	1.1098	1.0764	1.0739	0.1545	0.1552	0.1453	0.1463	0.1916	0.4363	0.1591
	August	1.1314	1.1189	1.1237	1.1561	1.1602	0.1571	0.1559	0.1465	0.1463	0.1814	0.4252	0.1575
	September	1.1314	1.1438	1.1427	1.1807	1.1445	0.1755	0.1703	0.1575	0.1525	0.1814	0.4461	0.1583
	October	1.1314	1.2020	1.1921	1.2302	1.2977	0.2131	0.2081	0.1860	0.1781	0.1871	0.4675	0.1630
	November	1.1314	1.1111	1.0985	1.0835	1.0755	0.2223	0.2234	0.2088	0.2038	0.1928	0.5022	0.1650
	December	1.1314	1.1203	1.1195	1.1290	1.1308	0.1965	0.2038	0.2191	0.2200	0.1928	0.5125	0.1652
2003	January	1.1314	1.1370	1.1358	1.1443	1.1270	0.1728	0.1787	0.1933	0.2000	0.2000	0.5125	0.1675
	February	1.1314	1.1299	1.1304	1.1229	1.1627	0.1632	0.1641	0.1616	0.1650	0.1746	0.5125	0.1700
	March	1.1314	1.0780	1.0697	1.0694	1.0542	0.1599	0.1594	0.1528	0.1531	0.2041	0.5086	0.1701
	April	1.1314	1.0997	1.0842	1.1136	1.1079	0.1582	0.1589	0.1460	0.1525	0.1854	0.4884	0.1766
	May	1.1314	1.1394	1.1420	1.1431	1.1510	0.1450	0.1448	0.1360	0.1369	0.1843	0.4530	0.1786
	June	1.1314	1.1464	1.1387	1.1649	1.1398	0.1396	0.1372	0.1366	0.1350	0.1663	0.4027	0.1805
	July	1.1314	1.3497	1.2685	1.4655	1.4223	0.1470	0.1452	0.1468	0.1413	0.1701	0.4127	0.1905
	August	1.1314	1.5496	1.5396	1.5958	1.5913	0.1615	0.1599	0.1685	0.1644	0.1843	0.4467	0.1949
	September	1.1314	1.5940	1.5943	1.6000	1.6000	0.1755	0.1716	0.1803	0.1781	0.1956	0.4827	0.2010
	October	1.1314	1.5936	1.5921	1.6000	1.6000	0.1892	0.1877	0.1913	0.1900	0.2342	0.5216	0.2125
	November	1.1314	1.4941	1.5331	1.4288	1.4875	0.1947	0.1947	0.1950	0.1950	0.2438	0.5522	0.2125
	December	1.1314	1.3260	1.3237	1.3453	1.3600	0.1941	0.1967	0.1848	0.1919	0.2620	0.5568	0.2142
2004	January	1.1314	1.3023	1.2977	1.3029	1.3025	0.1801	0.1824	0.1706	0.1731	0.2608	0.5311	0.2250
	February	1.1314	1.3260	1.3054	1.3688	1.3279	0.1677	0.1691	0.1631	0.1650	0.2434	0.4746	0.2250
	March	1.1314	1.5680	1.4582	1.7439	1.5323	0.1817	0.1706	0.1666	0.1613	0.2155	0.4599	0.2266
	April	1.1314	2.0520	2.0530	2.1404	2.0908	0.2602	0.2611	0.2208	0.2163	0.2155	0.5505	0.2375
	May	1.1314	2.1266	2.1838	2.0634	2.1677	0.2992	0.2975	0.2631	0.2588	0.2240	0.6381	0.2375
	June	1.1314	1.8411	1.8683	1.7648	1.8000	0.2890	0.2942	0.2683	0.2750	0.2353	0.6550	0.2375
	July	1.1314	1.5695	1.5439	1.4279	1.3956	0.2607	0.2600	0.2356	0.2413	0.2381	0.6516	0.2290
	August	1.1314	1.5167	1.5047	1.5636	1.5304	0.2246	0.2280	0.2181	0.2200	0.2381	0.6233	0.2175
	September	1.1314	1.5867	1.5958	1.5660	1.5645	0.2162	0.2155	0.2160	0.2131	0.2381	0.6108	0.2007
	October	1.1314	1.5256	1.5373	1.5174	1.5285	0.2247	0.2241	0.2266	0.2238	0.2778	0.6100	0.1878
	November	1.1314	1.5886	1.5481	1.6613	1.5750	0.2367	0.2338	0.2410	0.2363	0.3175	0.6141	0.1850
	December	1.1314	1.7146	1.7648	1.6397	1.8038	0.2423	0.2436	0.2528	0.2506	0.3175	0.6392	0.1850

## COMMODITY PRICES USED IN CALIFORNIA CLASS 4b AND FEDERAL CLASS III PRICING FORMULAS

## OTHER WHEY STREAM PRICES

## CHEESE PRICES

## DRY WHEY PRICES

YEAR	MONTH	USDA SPP	USDA	USDA	CME BLOCK	CME BLOCK	USDA	USDA	WESTERN	WESTERN	WESTERN	CENTRAL &	CENTRAL &
		BLOCK CHED.	NASS	NASS	40# CHEDDAR	40# CHEDDAR	NASS	NASS	DRY WHEY	DRY WHEY	EUROPE	WESTERN	WESTERN
		CHEESE	40# & BARREL	40# & BARREL			DRY WHEY	DRY WHEY			DRY	WPC-34%	LACTOSE
			38% CHEDDAR	38% CHEDDAR							WHEY	MOSTLY	MOSTLY
		26TH25TH	4/5 WEEK	TWO WEEK	26TH25TH	26TH10TH	4/5 WEEK	TWO WEEK	26TH25TH	TWO WEEK	(\$/lb)	(\$/lb)	(\$/lb)
		(\$/lb.)	(\$/lb.)	(\$/lb.)	(\$/lb.)	(\$/lb.)	(\$/lb.)	(\$/lb.)	(\$/lb.)	(\$/lb.)			
2005	January	1.1314	1.5165	1.4790	1.5766	1.4880	0.2463	0.2481	0.2584	0.2569	0.2911	0.7033	0.1750
	February	1.1314	1.5711	1.6482	1.5299	1.5752	0.2478	0.2479	0.2625	0.2600	0.2722	0.7509	0.1750
	March	1.1314	1.5061	1.5140	1.5204	1.5428	0.2513	0.2485	0.2700	0.2669	0.2722	0.7816	0.1750
	April	1.1314	1.5590	1.5777	1.5733	1.6063	0.2580	0.2596	0.2769	0.2750	0.3232	0.8195	0.1798
	May	1.1314	1.4765	1.4612	1.4745	1.4461	0.2603	0.2597	0.2859	0.2838	0.3260	0.8598	0.1809
	June	1.1314	1.4845	1.4827	1.4921	1.4886	0.2696	0.2684	0.2945	0.2938	0.3289	0.8907	0.1884
	July	1.1314	1.5156	1.5224	1.5239	1.5478	0.2794	0.2796	0.3054	0.3025	0.3289	0.9075	0.1995
	August	1.1314	1.4322	1.4449	1.4195	1.3975	0.2869	0.2843	0.3100	0.3100	0.3289	0.8956	0.2003
	September	1.1314	1.4958	1.4965	1.5384	1.4933	0.2960	0.2904	0.3173	0.3163	0.3334	0.8587	0.2043
	October	1.1314	1.4996	1.5205	1.4849	1.5164	0.3038	0.3055	0.3219	0.3225	0.3379	0.8523	0.2153
	November	1.1314	1.3968	1.4213	1.3808	1.3871	0.3149	0.3084	0.3280	0.3250	0.3334	0.8416	0.2195
	December	1.1314	1.3964	1.3979	1.4304	1.4190	0.3242	0.3244	0.3384	0.3356	0.3345	0.8186	0.2200
2006	January	1.1314	1.3895	1.3895	1.3581	1.3678	0.3416	0.3394	0.3466	0.3450	0.3704	0.7943	0.2363
	February	1.1314	1.2637	1.2923	1.2146	1.2410	0.3531	0.3532	0.3515	0.3525	0.3856	0.7482	0.2425
	March	1.1314	1.1612	1.1686	1.1586	1.1350	0.3409	0.3478	0.3381	0.3450	0.3884	0.6864	0.2430
	April	1.1314	1.1654	1.1698	1.1667	1.1727	0.3054	0.3056	0.3125	0.3175	0.3799	0.6200	0.2600
	May	1.1314	1.1694	1.1602	1.1775	1.1605	0.2805	0.2811	0.3031	0.3050	0.3884	0.5953	0.2705
	June	1.1314	1.2166	1.2218	1.2011	1.2080	0.2808	0.2817	0.2910	0.2900	0.3697	0.5800	0.2847
	July	1.1314	1.1793	1.1858	1.1643	1.1694	0.2810	0.2796	0.2906	0.2900	0.3844	0.5858	0.3290
	August	1.1314	1.1813	1.1633	1.2091	1.1858	0.2965	0.2925	0.3018	0.2956	0.4366	0.6100	0.3389
	September	1.1314	1.2912	1.3063	1.3041	1.3308	0.3191	0.3162	0.3213	0.3125	0.4933	0.6626	0.3620
	October	1.1314	1.2721	1.2846	1.2383	1.2384	0.3557	0.3500	0.3550	0.3488	0.4990	0.7453	0.4188
	November	1.1314	1.3123	1.2745	1.3490	1.3083	0.3800	0.3740	0.3938	0.3863	0.5160	0.8182	0.4295
	December	1.1314	1.3624	1.3758	1.3318	1.3410	0.4079	0.4051	0.4331	0.4263	0.5931	0.8698	0.4350
2007	January	1.1314	1.3366	1.3279	1.3161	1.3330	0.4680	0.4539	0.4781	0.4675	0.6093	0.9958	0.5505
	February	1.1314	1.3454	1.3529	1.3376	1.3418	0.6005	0.5986	0.5680	0.5625	0.7031	1.1751	0.5934
	March	1.1314	1.3732	1.3656	1.3715	1.3663	0.7060	0.7021	0.6700	0.6375	0.7683	1.3380	0.7272
	April	1.1314	1.4296	1.4177	1.4381	1.4132	0.7789	0.7709	0.7388	0.7300	0.8278	1.4706	0.9232
	May	1.1314	1.5946	1.5333	1.6835	1.6393	0.7578	0.7623	0.8038	0.7863	0.8613	1.5353	0.9300
	June	1.1314	1.8505	1.8555	1.9824	1.9178	0.7617	0.7595	0.8238	0.8238	0.8686	1.6146	0.9300
	July	1.1314	2.0002	2.0188	1.9427	1.9788	0.7329	0.7428	0.7809	0.8106	0.7900	1.6343	1.0117
	August	1.1314	1.9100	1.9014	1.9242	1.8960	0.6197	0.6429	0.6175	0.6375	0.6804	1.5838	0.9496
Sep-01 to Aug-02 Avg.		1.1314	1.2061	1.2061	1.1986	1.1978	0.1951	0.1977	0.1886	0.1921	0.2058	0.5447	0.1931
Sep-02 to Aug-03 Avg.		1.1314	1.1839	1.1718	1.2036	1.2004	0.1712	0.1712	0.1677	0.1669	0.1853	0.4721	0.1734
Sep-03 to Aug-04 Avg.		1.1314	1.6092	1.6049	1.6125	1.5996	0.2181	0.2178	0.2048	0.2055	0.2339	0.5581	0.2230
Sep-04 to Aug-05 Avg.		1.1314	1.5398	1.5480	1.5412	1.5470	0.2516	0.2511	0.2667	0.2644	0.3018	0.7569	0.1860
Sep-05 to Aug-06 Avg.		1.1314	1.2929	1.2990	1.2904	1.2880	0.3099	0.3091	0.3201	0.3200	0.3702	0.7159	0.2553
Sep-06 to Aug-07 Avg.		1.1314	1.5065	1.5012	1.5183	1.5087	0.5740	0.5732	0.5820	0.5775	0.6842	1.2036	0.6884

SUMMARY OF PROPOSALS FOR THE OCTOBER 3, 2007 HEARING WORKSHOP — IN PREPARATION FOR THE OCTOBER 10, 2007 HEARING

Class 4a

Difference between CME & Aver. Price Received by Processors

MCA - Amt. to deduct for Processor's costs

Yield: Lbs. of butter from 1 lb. of fat

Fat = (CME Butter Price - \$0.0168 - \$0.1560) x 1.2

MCA - Amt. to deduct for Processor's costs

Yield: Lbs. of powder from 1 lb. of SNF

SNF = (CA NFDM Price - \$0.160) X 1.0 —

Class 4b

Difference between CME & Aver. Price Received by Processors

MCA - Amt. to deduct for Processor's costs

Yield: Lbs. of cheese from cwt. of milk

Fat = Class 4a Fat

Difference between CME & Aver. Price Received by Processors

MCA - Amt. to deduct for Processor's costs

Yield: Lbs. of whey butter from cwt. of milk

Product Value = (Cheddar Price - \$0.0252 - \$0.1780) x 10.2 + (CME Butter - \$0.10 - \$0.1560) x 0.27 +

MCA - Amt. to deduct for Processor's costs

Yield: Lbs. of dry whey from cwt. of milk

+ (Western Dry Whey - \$0.267) x 5.8

Aver. % fat in milk for Cheddar

SNF = 

Product Value - (3.72 x Price of Class 4b fat)

8.80

Aver. % SNF in milk for Cheddar

→ F & A DAIRY

Class 4b

Product Value = (Cheddar Price - \$0.0252 - \$0.1780) x 10.2 + (CME Butter - \$0.10 - \$0.1560) x 0.27

\*Eliminate Dry Whey Factor

→ ALLIANCE OF WESTERN MILK PRODUCERS

Pool Plan Adjustment - See Alternative Proposal submitted by Western United Dairymen, Alliance, and Milk Producers Council

→ WESTERN UNITED DAIRYMEN, ALLIANCE, MILK PRODUCERS COUNCIL

Class 4b

Product Value = (Cheddar Price - \$0.0252 - \$0.1780) x 10.2 + (CME Butter - \$0.10 - \$0.1560) x 0.27

+ (Dry Whey Price - (NFDM Mk Allow + \$0.0300)) x 5.8

\*Snub Whey at NFDM Mk Allow + \$0.0300

Pool Plan

Credit to Plants purchasing milk for Class 4b utilization for up to 264,480 solids-not-fat processed:

Credit = (Dry Whey Price - (NFDM Mk Allow + \$0.0300)) x 5.8

\*Snub Whey at NFDM Mk Allow + \$0.0300

→ LAND O'LAKES

Class 4a

Fat = (CME Butter Price - \$0.0280 - \$0.1560) x 1.2

SNF = (CA NFDM Price - \$0.1664) x 1.0

Class 4b

Product Value = (Cheddar Price - \$0.0252- \$0.1988) x 10.2 + (CME Butter - \$0.10 - \$0.1560) x 0.27

+ (Western Dry Whey - \$0.2734) x 5.8

→ DAIRY INSTITUTE

Class 4a

Fat = (CME Butter Price - \$0.0280 - \$0.1560) x 1.2

SNF = (CA NFDM Price - \$0.1664) x 1.0

Class 4b

Product Value = (Cheddar Price - \$0.0270 - \$0.1988) x 10.2 + (CME Butter - \$0.10 - \$0.1560) x 0.27

\*Eliminate Dry Whey Factor

→ HUMBOLDT CREAMERY

Class 4a

Fat = For first 210,000 lbs milk fat processed: (CME Butter Price - \$0.0168 - \$0.2061) x 1.2

Remaining Volume Milk Fat >210,000 lbs: (CME Butter Price - \$0.0168 - \$0.1560) x 1.2

SNF = For the first 522,000 lbs solids-not-fat processed: (CA NFDM Price - \$0.2020) x 1.0

Remaining volume solids-not-fat >522,000 lbs: (CA NFDM Price - \$0.1600) x 1.0

Class 4b

Product Value = (Cheddar Price - \$0.0252- \$0.2104 (First 6,000,000 lbs. milk processed)

\$0.1780 (Remaining >6,000,000 lbs. milk)

+ (CME Butter - \$0.10 - \$0.2061 (First 210,000 lbs. milk fat processed)

\$0.1560 (Remaining >210,000 lbs. milk fat)

+ (Western Dry Whey - \$0.267) x 5.8

→ CALIFORNIA DAIRIES, INC.

Class 4a

Fat = (CME Butter Price - \$0.0397 - \$0.1607) x 1.2

SNF = (CA NFDM Price - \$0.1698) x 1.0

Plant Capacity Credit

Any plant who has constructed a processing plant or expanded an existing plant after 1/1/08 shall receive \$0.50/cwt. of milk processed in the new plant and \$0.50/cwt. of additional milk processed as a result of expansion of an existing plant.





## Summary Analysis of Estimated Impacts of the Petition and Alternative Proposals on California Class and Pool Prices

For October 3, 2007 Workshop  
In Preparation for the October 10, 2007 Hearing

### Executive Summary

Using historic commodity prices, estimates assume that the current and alternative formulas  
had been in effect from September 2002 through August 2007

**Table 1 - Estimated Impact of Proposals (Proposed less Current Class and Pool Prices)**  
60-month Averages: 2002-2007  
(Dollars per Hundredweight)

	Class 4b	Class 4a	Quota & Overbase
<b>F&amp;A <i>et al.</i></b> <sup>1/</sup>	-\$0.24	\$0.00	-\$0.14
<b>Alliance <i>et al.</i></b> <sup>2/</sup>	\$0.48	\$0.00	\$0.20
<b>Institute</b>	-\$0.46	-\$0.10	-\$0.28
<b>LOL</b>	-\$0.24	-\$0.10	-\$0.15
<b>CDI</b> <sup>3/</sup>	\$0.00	-\$0.20	-\$0.08
<b>Humboldt</b> <sup>4/</sup>			-\$0.02

<sup>1/</sup> F & A Dairy of California; Marquez Brothers International; Farmdale Creamery; Rumiano Cheese; Sierra Cheese; Pacific Cheese; Masson Cheese; Mozzarella Fresca; and Loleta Cheese.

<sup>2/</sup> Alliance of Western Milk Producers; Western United Dairywomen and Milk Producers Council

<sup>3/</sup> Estimated impacts do not include the plant expansion credit.

<sup>4/</sup> Estimated impacts on class prices were not calculated due to the assumptions required.

**Please Note: Historic price comparisons are not necessarily a good predictor of future prices.**

## Comprehensive Findings

Using historic commodity prices, the following tables estimate the impacts of the proposals assuming that the current California and alternative formulas had been in effect from September 2002 through August 2007. The same assumptions are made for comparisons to federal pricing formulas in the following tables.

### Estimated Relationships of Alternative Manufacturing Cost Allowances

Table 2 estimates the relationships of alternative Manufacturing Cost Allowances (MCA) to:

- Weighted average manufacturing costs (WAC) from the 2006 cost summaries
- Volume of product covered based on the 2006 cost summaries **including** a 6.48% ROI
- Imputed ROI based on the 2006 cost summaries **excluding** the 6.48% ROI

**Table 2 - Comparisons of Alternative Proposals for New Manufacturing Cost Allowances**

Butter	MCA	MCA / WAC	Volume <sup>1/</sup>	ROI <sup>2/</sup>
Current	\$0.1560	1.14	61%	26.20%
F&A <i>et al.</i>	\$0.1560	1.14	61%	26.20%
Alliance <i>et al.</i>	\$0.1560	1.14	61%	26.20%
Institute	\$0.1560	1.14	61%	26.20%
LOL	\$0.1560	1.14	61%	26.20%
CDI	\$0.1607	1.17	61%	30.73%
Humboldt	\$0.1560	1.14	61%	26.20%
<b>NFDM</b>				
Current	\$0.1600	0.96	28%	-0.4%
F&A <i>et al.</i>	\$0.1660	0.96	28%	-0.4%
Alliance <i>et al.</i>	\$0.1600	0.96	28%	-0.4%
Institute	\$0.1664	1.00	80%	5.3%
LOL	\$0.1664	1.00	80%	5.3%
CDI	\$0.1698	1.02	91%	8.3%
Humboldt	\$0.1600	0.96	28%	-0.4%
<b>Cheese</b>				
Current	\$0.1780	0.90	0%	-10.4%
F&A <i>et al.</i>	\$0.1780	0.90	0%	-10.4%
Alliance <i>et al.</i>	\$0.1780	0.90	0%	-10.4%
Institute	\$0.1988	1.00	71%	7.7%
LOL	\$0.1988	1.00	71%	7.7%
CDI	\$0.1780	0.90	0%	-10.4%
Humboldt	\$0.1780	0.90	0%	-10.4%
<b>Dry Whey</b>				
Current	\$0.2670	0.86	<sup>3/</sup>	3.64%
F&A <i>et al.</i>	n/a	n/a	n/a	n/a
Alliance <i>et al.</i>	\$0.1900	0.61	0%	-6.82%
Institute	n/a	n/a	n/a	n/a
LOL	\$0.2734	0.88	<sup>3/</sup>	4.51%
CDI	\$0.2670	0.86	<sup>3/</sup>	3.64%
Humboldt	\$0.2670	0.86	<sup>3/</sup>	3.64%

1/ Volume covered calculation **includes** a 6.48% ROI

2/ Imputed ROI calculation **excludes** the 6.48% ROI

3/ Because there are only three Dry Whey plants, confidentiality precludes showing the percent volume covered as for the other three commodities.

### Estimated Impacts of the Petition and Alternative Proposals on California Class and Pool Prices

- Table 3 shows the impacts of the petition and alternative proposals on class and pool prices relative to current prices, from September 2002 through August 2007.
- The analysis assumes that the petition, alternative proposals and current formulas were in effect throughout that analysis period.
- Commodity prices used are historic prices in effect from September 2002 through August 2007.

**Table 3 - Estimates of Proposals less Current Class and Pool Prices**  
Twelve-Month Averages: September-August and Five-Year Averages: 2002-2007  
(Dollars per Hundredweight)

<b>CLASS 4b</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>	<b>5-Year Average</b>
F&A <i>et al.</i>	\$0.57	\$0.36	\$0.00	-\$0.30	-\$1.81	-\$0.24
Alliance <i>et al.</i>	\$0.59	\$0.48	\$0.44	\$0.44	\$0.44	\$0.48
Institute	\$0.34	\$0.13	-\$0.22	-\$0.53	-\$2.03	-\$0.46
LOL	-\$0.24	-\$0.24	-\$0.24	-\$0.24	-\$0.24	-\$0.24
CDI	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

<b>CLASS 4a</b>						
F&A <i>et al.</i>	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Alliance <i>et al.</i>	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Institute	-\$0.10	-\$0.10	-\$0.10	-\$0.10	-\$0.10	-\$0.10
LOL	-\$0.10	-\$0.10	-\$0.10	-\$0.10	-\$0.10	-\$0.10
CDI	-\$0.20	-\$0.20	-\$0.20	-\$0.20	-\$0.20	-\$0.20

#### **POOL PRICES: QUOTA & OVERBASE**

F&A <i>et al.</i>	\$0.25	\$0.16	\$0.00	-\$0.15	-\$0.93	-\$0.14
Alliance <i>et al.</i>	\$0.26	\$0.21	\$0.19	\$0.19	\$0.15	\$0.20
Institute	\$0.11	\$0.02	-\$0.15	-\$0.30	-\$1.10	-\$0.28
LOL	-\$0.15	-\$0.15	-\$0.16	-\$0.16	-\$0.16	-\$0.15
CDI	-\$0.08	-\$0.08	-\$0.08	-\$0.07	-\$0.07	-\$0.08
Humboldt	-\$0.02	-\$0.02	-\$0.02	-\$0.02	-\$0.02	-\$0.02

**Estimated Impacts of the Various Components of the Petition and  
Alternative Proposals on California Class 4a and 4b Prices**

Tables 4 and 5 show the impact of changes to individual factors in the pricing formulas, using historic commodity prices, assuming that the current and alternative formulas had been in effect from September 2002 through August 2007, including:

- Changes to manufacturing cost allowances (MCA)
- Changes to f.o.b. California price adjusters
- Elimination of the whey factor
- Floors

**Class 4a**

**Table 4 - Estimates of Impact of Proposals (Proposed less Current Class and Pool Prices)  
by factors in the formulas**

Twelve-Month Averages: September-August and Five-Year Averages: 2002-2007 <sup>1/</sup>  
(Dollars per Hundredweight)

<b>Institute</b>	<b>MCA</b>	<b>f.o.b. Adjusters</b>	<b>Floor</b>	<b>Whey Factor</b>	<b>TOTAL</b>
<b>2002-03</b>	-\$0.06	-\$0.05			-\$0.10
<b>2003-04</b>	-\$0.06	-\$0.05			-\$0.10
<b>2004-05</b>	-\$0.06	-\$0.05			-\$0.10
<b>2005-06</b>	-\$0.06	-\$0.05			-\$0.10
<b>2006-07</b>	-\$0.06	-\$0.05			-\$0.10
<b>5-Year Average</b>	<b>-\$0.06</b>	<b>-\$0.05</b>			<b>-\$0.10</b>

**LOL**

<b>2002-03</b>	-\$0.06	-\$0.05			-\$0.10
<b>2003-04</b>	-\$0.06	-\$0.05			-\$0.10
<b>2004-05</b>	-\$0.06	-\$0.05			-\$0.10
<b>2005-06</b>	-\$0.06	-\$0.05			-\$0.10
<b>2006-07</b>	-\$0.06	-\$0.05			-\$0.10
<b>5-Year Average</b>	<b>-\$0.06</b>	<b>-\$0.05</b>			<b>-\$0.10</b>

**CDI**

<b>2002-03</b>	-\$0.11	-\$0.10			-\$0.20
<b>2003-04</b>	-\$0.10	-\$0.10			-\$0.20
<b>2004-05</b>	-\$0.11	-\$0.10			-\$0.20
<b>2005-06</b>	-\$0.11	-\$0.10			-\$0.20
<b>2006-07</b>	-\$0.11	-\$0.10			-\$0.20
<b>5-Year Average</b>	<b>-\$0.11</b>	<b>-\$0.10</b>			<b>-\$0.20</b>

1/ F&A *et al.* and Alliance *et al.* did not propose changes to the Class 4a price.

### Class 4b

**Table 5 - Estimates of Impact of Proposals (Proposed less Current Class and Pool Prices)  
by factors in the formulas**

Twelve-Month Averages: September-August and Five-Year Averages: 2002-2007 <sup>1/</sup>  
(Dollars per Hundredweight)

<b>F&amp;A <i>et al.</i></b>	<b>MCA</b>	<b>f.o.b. Adjusters</b>	<b>Floor</b>	<b>Whey Factor</b>	<b>TOTAL</b>
2002-03				\$0.57	\$0.57
2003-04				\$0.36	\$0.36
2004-05				\$0.00	\$0.00
2005-06				-\$0.30	-\$0.30
2006-07				-\$1.81	-\$1.81
<b>5-Year Average</b>				<b>-\$0.25</b>	<b>-\$0.25</b>
<b>Alliance <i>et al.</i></b>					
2002-03	\$0.44		\$0.15		\$0.59
2003-04	\$0.44		\$0.04		\$0.48
2004-05	\$0.44		\$0.00		\$0.44
2005-06	\$0.44		\$0.00		\$0.44
2006-07	\$0.44		\$0.00		\$0.44
<b>5-Year Average</b>	<b>\$0.44</b>		<b>\$0.04</b>		<b>\$0.48</b>
<b>Institute</b>					
2002-03	-\$0.20	-\$0.02		\$0.56	\$0.34
2003-04	-\$0.20	-\$0.02		\$0.35	\$0.13
2004-05	-\$0.20	-\$0.02		-\$0.01	-\$0.22
2005-06	-\$0.20	-\$0.02		-\$0.31	-\$0.53
2006-07	-\$0.20	-\$0.02		-\$1.82	-\$2.03
<b>5-Year Average</b>	<b>-\$0.20</b>	<b>-\$0.02</b>		<b>-\$0.25</b>	<b>-\$0.46</b>
<b>LOL</b>					
2002-03	-\$0.24				-\$0.24
2003-04	-\$0.24				-\$0.24
2004-05	-\$0.24				-\$0.24
2005-06	-\$0.24				-\$0.24
2006-07	-\$0.24				-\$0.24
<b>5-Year Average</b>	<b>-\$0.24</b>				<b>-\$0.24</b>

1/ CDI did not propose changes to the Class 4b price.

**Estimated Impact on the Relationship between  
California Class Prices and Federal Order Prices**

- Table 6 shows the estimated impact on the relationship between California class prices and federal order prices from September 2002 through August 2007, using historical prices and assuming that the current and alternative formulas had been in effect for that period.
  - Please note: plants in federal orders can avoid the minimum Class III and IV prices by depooling; plants in California are always subject to the minimum Class 4a and 4b prices.**
- The federal prices are those that would have resulted from using the pricing formulas announced in the Final Rule on November 7, 2002. The analysis assumes that these formulas have been in place since September 2002.

**Table 6 - Estimates of Impact of Proposals (Proposed less Current Class and Pool Prices)**  
Twelve-Month Averages: September-August and Five-Year Averages: 2002-2007  
(Dollars per Hundredweight)

California Class 4b less Federal Class III	2002-03	2003-04	2004-05	2005-06	2006-07	5-Year Average
Current	-\$0.50	-\$0.75	-\$0.63	-\$0.70	-\$0.52	-\$0.62
F&A <i>et al.</i>	\$0.07	-\$0.39	-\$0.63	-\$1.01	-\$2.32	-\$0.86
Alliance <i>et al.</i>	\$0.10	-\$0.26	-\$0.19	-\$0.26	-\$0.08	-\$0.14
Institute	-\$0.15	-\$0.61	-\$0.85	-\$1.23	-\$2.55	-\$1.08
LOL	-\$0.74	-\$0.99	-\$0.88	-\$0.95	-\$0.76	-\$0.86
CDI	-\$0.49	-\$0.74	-\$0.63	-\$0.70	-\$0.51	-\$0.61

California Class 4a less Federal Class IV	2002-03	2003-04	2004-05	2005-06	2006-07	5-Year Average
Current	-\$0.13	-\$0.25	-\$0.26	-\$0.24	-\$1.10	-\$0.40
F&A <i>et al.</i>	-\$0.13	-\$0.25	-\$0.26	-\$0.24	-\$1.10	-\$0.40
Alliance <i>et al.</i>	-\$0.13	-\$0.25	-\$0.26	-\$0.24	-\$1.10	-\$0.40
Institute	-\$0.23	-\$0.36	-\$0.36	-\$0.35	-\$1.20	-\$0.50
LOL	-\$0.23	-\$0.36	-\$0.36	-\$0.35	-\$1.20	-\$0.50
CDI	-\$0.33	-\$0.45	-\$0.46	-\$0.45	-\$1.30	-\$0.60

**Frequency of Occurrence of the Dry Whey Price Floor in the Alliance et al. proposal**

**Table 7 - Months in which Historic Commodity Prices were below  
proposed Manufacturing Cost Allowances (MCA)  
during the sixty-month period, September 2002 to August 2007**

Proponent	Number of Months	Percent of Months
Alliance <i>et al.</i>	14	23%